

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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| Application of Southern California Edison Company (E 338-E) for Authority to Institute a Rate Stabilization Plan with a Rate Increase and End of Rate Freeze Tariffs. | Application 00-11-038 (Filed November 16, 2000) |
| Emergency Application of Pacific Gas and Electric Company to Adopt a Rate Stabilization Plan. (U 39 E) | Application 00-11-056 (Filed November 22, 2000) |
| Petition of THE UTILITY REFORM NETWORK for Modification of Resolution E-3527. | Application 00-10-028 (Filed October 17, 2000) |

**ADMINISTRATIVE LAW JUDGE'S RULING
ESTABLISHING A SCHEDULE TO PROCESS THE DEPARTMENT OF
WATER RESOURCES' REQUEST TO ORDER PACIFIC GAS AND ELECTRIC
COMPANY TO PERFORM THE SERVICES PROVIDED FOR IN THE FIRST
AMENDED AND RESTATED SERVICING AGREEMENT**

Summary

On April 18, 2002, the California Department of Water Resources (DWR) transmitted a Memorandum to the Commissioners entitled "Request for Servicing Order to Incorporate Provisions Related to the Rate Agreement." The memorandum was also accompanied by the "First Amended and Restated Servicing Agreement Between State of California Department of Water Resources and Pacific Gas and Electric Company" (Amended Servicing Agreement), and a

series of attachments. A copy of all of these documents were transmitted electronically to the parties in the above-captioned proceedings.

DWR requests that the Commission, on an expeditious basis, order Pacific Gas and Electric Company (PG&E) to perform the services provided in the Amended Servicing Agreement. DWR represents that the Amended Servicing Agreement incorporates certain changes as ordered in Decision (D.) 01-09-015, as well as provisions of the Rate Agreement between the Commission and DWR which were approved in D.02-02-052, as clarified in D.02-03-003 and D.02-03-062.

Today's ruling provides the opportunity for PG&E and interested parties to file opening and reply comments on DWR's April 18, 2002 Memorandum and the Amended Servicing Agreement and the related attachments. Due to DWR's request that its request be processed as expeditiously as possible so that the financing imperatives of DWR, and the public policy goals expressed in Assembly Bill 1 of the First Extraordinary Session of 2001-2002 (Stats. 2001, Ch. 4.) (AB1X), can be met, opening comments shall be filed with the Docket Office and electronically served on April 29, 2002. Reply comments shall be filed and served on May 3, 2002. A draft decision will issue for comment on or before May 8, 2002. Parties may file comments on the draft decision on May 13, 2002. The draft decision will be placed on the Commission's May 16, 2002 agenda.

Background

In D.01-09-015, the Commission ordered PG&E to provide the services requested by DWR in order to facilitate DWR's purchase of electricity for the benefit of PG&E's retail customers, and to transport and sell the electricity to those customers. PG&E was ordered to comply with the Servicing Agreement that was approved in D.01-09-015, with certain modifications.

PG&E was allowed to seek Bankruptcy Court approval of the Servicing Agreement. PG&E filed a motion with the Bankruptcy Court on September 24, 2001 seeking an order that PG&E not be required to enter into and implement the Servicing Agreement. According to the Memorandum, PG&E argued that the Bankruptcy Court should not approve the Servicing Agreement until several other disputed matters were resolved. DWR contends that since the filing of PG&E's Bankruptcy Court motion, several pending items have been resolved. These include D.02-02-052, as clarified and amended, which implemented cost recovery of DWR's revenue requirements. In addition, D.02-04-016 established interim cost-of-service revenue requirements for the utility retained generation of the three largest electric utilities in California. As of today, the Bankruptcy Court has not yet acted on PG&E's motion.

In order to timely issue the revenue bonds necessary to pay for DWR's electricity purchases and related expenses, to implement certain provisions of the Rate Agreement, and to ensure that DWR receives the appropriate remittances for DWR energy delivered to PG&E's customers, DWR requests that the Commission order PG&E to perform the services provided for in the Amended Servicing Agreement.

Schedule For Processing DWR's Request

DWR has requested the Commission's assistance, pursuant to Water Code Section 80106(b), that it order PG&E to perform the services provided for in the Amended Servicing Agreement on an expeditious basis. To fulfill the statutory requirements of Water Code Section 80106(b), and to provide the assistance and cooperation required by Water Code Section 80016, the following schedule shall be followed to process DWR's April 18, 2002 Memorandum request.

PG&E and other interested parties may file opening comments on DWR's memorandum, and the Amended Servicing Agreement and the related attachments. Those opening comments shall be filed with the Docket Office no later than April 29, 2002, and electronically served on the service list. Reply comments shall be filed and electronically served no later than May 3, 2002.

In order to expeditiously process DWR's request, and to fulfill the Commission's statutory obligations under AB1X, a draft decision regarding DWR's April 18, 2002 Memorandum request and the Amended Servicing Agreement will be placed on the Commission's meeting agenda for May 16, 2002. A draft decision will be issued on for comment on or before May 8, 2002, and interested parties may file and electronically serve their comments on the draft decision no later than close of business on May 13, 2002.

Anyone filing pleadings in response to this ruling shall ensure that the undersigned is timely served with an electronic copy of all pleadings at jsw@cpuc.ca.gov.

IT IS RULED that:

1. Interested parties may file opening and reply comments to the April 18, 2002 Memorandum request of the California Department of Water Resources (DWR) seeking a Commission order that Pacific Gas and Electric Company (PG&E) be ordered to perform the services as set forth in the "First Amended and Restated Servicing Agreement Between State of California Department of Water Resources and Pacific Gas and Electric Company" (Amended Servicing Agreement) and the related series of attachments. The comments may also comment on the Amended Servicing Agreement and the related attachments.
 - a. Opening comments shall be filed with the Docket Office and electronically served on the service list on April 29, 2002.

- b. Reply comments shall be filed with the Docket Office and electronically served on the service list on May 3, 2002.

2. A draft decision addressing DWR's April 18, 2002 Memorandum request, and the Amended Servicing Agreement and related attachments will be placed on the Commission's May 16, 2002 meeting agenda.

- a. A draft decision will issue for comment on or before May 8, 2002, and interested parties may file and electronically serve their comments on the draft decision no later than close of business on May 13, 2002.

Dated April 22, 2002, at San Francisco, California.

/s/ JOHN S. WONG

John S. Wong
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Establishing a Schedule to Process the Department of Water Resources' Request to Order Pacific Gas and Electric Company to Perform the Services Provided for in the First Amended and Restated Servicing Agreement on all parties of record in this proceeding or their attorneys of record.

Dated April 22, 2002, at San Francisco, California.

/s/ FANNIE SID

Fannie Sid

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.